North Dakota Legislative Council

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BUDGET OUTLOOK - 2021-23 AND 2023-25 BIENNIUMS

The schedule below is an outlook for the 2021-23 biennium and 2023-25 biennium general fund budgets. The outlook is based upon estimated 2021-23 biennium revenue and appropriation levels. The schedule also identifies estimated costs to continue various programs at current levels based upon actions by the 2021 Legislative Assembly and other potential budget increases for the 2023-25 biennium.

	General Fund	
	2021-23 Biennium Estimate	**2023-25 Biennium Estimate**
Estimated beginning balance	$1,123,000,000	$1,135,000,000
Revenues[1]		
Base-level ongoing revenues	4,280,000,000	4,740,000,000
Major ongoing transfers		
Mill and Elevator Association	15,500,000	15,500,000
Lottery	14,600,000	14,600,000
Gas tax administration	1,900,000	1,900,000
Bank of North Dakota	140,000,000	140,000,000
Budget stabilization fund interest	30,000,000	30,000,000
Other transfers and one-time revenues		
Strategic investment and improvements fund	410,000,000	
Total resources available	$6,015,000,000	$6,077,000,000
Appropriations		
Ongoing general fund appropriations	($4,878,000,000)	($4,878,000,000)
One-time general fund appropriations	(131,600,000)	
Potential funds available	$1,005,400,000	$1,199,000,000
Less 2021-23 biennium general fund requirements due to 2021 legislative action or federal program changes:		
• Cost to continue 2021-23 biennium state employee salary increases		($11,200,000)
• Cost to continue state school aid at the 2021-23 biennium integrated payment rate to an estimated 8,065 additional students during the 2023-25 biennium		(50,800,000)
• Estimated increase in local share of state school aid		69,700,000
• Additional funding for state school aid payments from common schools trust fund distributions		86,000,000
• Cost to replace federal COVID-19 relief funds used to pay salary costs of the Department of Corrections and Rehabilitation (DOCR) and Highway Patrol		(25,400,000)
• Cost to continue 2021-23 biennium Department of Health and Human Services (DHHS) provider inflationary increases		(1,100,000)
• Replace federal COVID-19 relief funds used for ongoing DHHS senior nutrition programs		(1,000,000)
Total cost-to-continue items		$66,200,000
Other potential selected general fund spending increases and other adjustments the 2023 Legislative Assembly may be asked to consider		
• State employee salary increases - 3 percent per year		($49,800,000)
• State employee health insurance increases based on an estimated increase of 15 percent		(36,500,000)
• Elementary and secondary education inflation increase - 3 percent per year		(114,300,000)

	General Fund	
	2021-23 Biennium Estimate	2023-25 Biennium Estimate
• DHHS cost and caseload increases		(100,000,000)
• DHHS provider inflation - 3 percent per year		(42,600,000)
• DHHS - Federal medical assistance percentage (FMAP) changes		(22,000,000)
• Other budget adjustments		(50,000,000)
Deficiency appropriation requests from the Adjutant General and the Agriculture Commissioner to repay Bank of North Dakota loans relating to state disasters	($13,000,000)	
Estimated unspent appropriation authority (turnback) - DHHS due to temporary FMAP increase from July through December 2022 and other FMAP adjustments ($85 million), Department of Public Instruction due to enrollment being less than anticipated ($47 million), and federal COVID-19 relief funding used to replace general fund payroll expenses in DHHS, DOCR, and Adjutant General ($10.6 million)	142,600,000	
Transfer to budget stabilization fund[2]	0	0
Estimated general fund balance (shortfall)	$1,135,000,000	$850,000,000

NOTE: The amounts shown on the schedule above do not reflect:

1. Additional spending requests that may be submitted relating to:
   a. Additional state employee salary and equity increases (the cost of each percentage change is approximately $5.5 million per year);
   b. Additional elementary and secondary education inflationary increases (the cost of each percentage change is approximately $12.7 million per year);
   c. Additional human service provider inflationary increases (the cost of each percentage change is approximately $4.7 million per year);
   d. Tax relief (the 1.5 percent flat individual income tax rate proposal would reduce general fund revenues by a preliminary estimate of $500 million for the 2023-25 biennium);
   e. Higher education inflationary increases;
   f. DOCR increased costs associated with inmate increases;
   g. State building, road, and other infrastructure projects;
   h. Special transportation and infrastructure distributions to political subdivisions; and
   i. Other agency budget requests, Governor's recommendations, and legislative initiatives.
2. Additional sources of funding that could be available, including:
   a. Strategic investment and improvements fund balance (estimated balance of $864.5 million on July 1, 2023, if oil and gas tax revenues exceed the forecast by 50 percent - the actual percentage variance through August 2022 was 52 percent).
   b. Bank of North Dakota profits in excess of the identified ongoing transfer amount.
   c. Legacy fund earnings available at the end of the 2021-23 biennium.
   d. Legacy fund principal (up to 15 percent upon approval by two-thirds of the Legislative Assembly).
   e. Foundation aid stabilization fund uncommitted balance, estimated to be $238 million. Of this amount, $143 million is needed to continue the ongoing funding used from this fund during the 2021-23 biennium for state school aid.

[1]Base-level ongoing revenues and other revenues and transfers for the 2021-23 biennium and 2023-25 biennium reflect:

- Ongoing tax and fee revenues exceeding the 2021 legislative revenue forecast by 22 percent which is the actual percentage variance through July 2022;
- Annual increases in revenues of 3 percent for the 2023-25 biennium; and
- The discontinuation, during the 2023-25 biennium, of the individual income tax credit approved during the 2021 special legislative session - the credit expires after the 2022 tax year.

[2]The budget stabilization fund is anticipated to be at its current limit of $751.6 million at the end of the 2021-23 biennium. For purposes of this report, no transfer from the general fund to the budget stabilization fund is reflected at the end of the 2021-23 biennium or 2023-25 biennium. Any transfers that may occur are dependent on the ending general fund balance and total general fund appropriations approved by the 2023 and 2025 Legislative Assemblies.